

SENATE BILL NO. 489

INTRODUCED BY ESSMANN, J. PETERSON, RIPLEY, GILLAN, KEANE, PERRY, KLOCK, LAKE,
VINCENT, K. PETERSON, MCCHESENEY, GLASER, SONJU, SMITH

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING TAXATION LAWS RELATED TO PIPELINES;
CLARIFYING THAT REGULATED NATURAL GAS AND OIL PIPELINES AND COMMON CARRIER PIPELINES
ARE TAXED AS CLASS NINE PROPERTY AND THAT OIL AND GAS PRODUCTION PROPERTY, INCLUDING
FLOW LINES AND GATHERING LINES, IS TAXED AS CLASS EIGHT PROPERTY; AMENDING SECTIONS
15-6-138, 15-6-141, 15-23-101, AND 15-23-301, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE
AND A RETROACTIVE APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-6-138, MCA, is amended to read:

"15-6-138. Class eight property -- description -- taxable percentage. (1) Class eight property
includes:

(a) all agricultural implements and equipment that are not exempt under 15-6-207 or 15-6-220;

(b) all mining machinery, fixtures, equipment, tools that are not exempt under 15-6-219, and supplies
except those included in class five;

(c) ~~all~~ for oil and gas production, all:

(i) machinery;

(ii) fixtures;

(iii) equipment, including flow lines and gathering lines, pumping units, oil field storage tanks, water
storage tanks, water disposal injection pumps, gas compressor and dehydrator units, communication towers, gas
metering shacks, treaters, gas separators, water flood units, and gas boosters, ~~and similar together with~~
equipment that is skidable, portable, or movable;

(iv) tools that are not exempt under 15-6-219; and

(v) supplies except those included in class five;

(d) all manufacturing machinery, fixtures, equipment, tools, except a certain value of hand-held tools and
personal property related to space vehicles, ethanol manufacturing, and industrial dairies and milk processors

as provided in 15-6-220, and supplies except those included in class five;

(e) all goods and equipment that are intended for rent or lease, except goods and equipment that are specifically included and taxed in another class;

(f) special mobile equipment as defined in 61-1-101;

(g) furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section;

(h) x-ray and medical and dental equipment;

(i) citizens' band radios and mobile telephones;

(j) radio and television broadcasting and transmitting equipment;

(k) cable television systems;

(l) coal and ore haulers;

(m) theater projectors and sound equipment; and

(n) all other property that is not included in any other class in this part, except that property that is subject to a fee in lieu of a property tax.

(2) As used in this section, the following definitions apply:

(a) "coal and ore haulers" means nonhighway vehicles that exceed 18,000 pounds an axle and that are primarily designed and used to transport coal, ore, or other earthen material in a mining or quarrying environment; and

(b) "flow lines and gathering lines" means pipelines used to transport all or part of the oil or gas production from an oil or gas well to an injection point through a common carrier pipeline or a natural gas INTERCONNECTION WITH A COMMON CARRIER PIPELINE AS DEFINED IN 69-13-101, A PIPELINE CARRIER AS DEFINED IN 49 U.S.C. 15102(2), OR A RATE-REGULATED NATURAL GAS TRANSMISSION or oil transmission pipeline regulated by the public service commission or the federal energy regulatory commission.

(3) "Commercial establishment" includes any hotel, motel, office, petroleum marketing station, or service, wholesale, retail, or food-handling business.

(4) Class eight property is taxed at 3% of its market value.

(5) The class eight property of a person or business entity that owns an aggregate of \$20,000 or less in market value of class eight property is exempt from taxation.

(6) THE GAS GATHERING FACILITIES OF A STAND-ALONE GAS GATHERING COMPANY PROVIDING GAS GATHERING SERVICES TO THIRD PARTIES ON A CONTRACTUAL BASIS, OWNING MORE THAN 500 MILES OF GAS GATHERING LINES IN

MONTANA, AND CENTRALLY ASSESSED IN TAX YEARS PRIOR TO 2009 MUST BE TREATED AS A NATURAL GAS TRANSMISSION PIPELINE SUBJECT TO CENTRAL ASSESSMENT UNDER 15-23-101. FOR PURPOSES OF THIS SUBSECTION, THE GAS GATHERING LINE OWNERSHIP OF ALL AFFILIATED COMPANIES, AS DEFINED IN SECTION 1504(A) OF THE INTERNAL REVENUE CODE, 26 U.S.C. 1504(A), MUST BE AGGREGATED FOR PURPOSES OF DETERMINING THE 500-MILE THRESHOLD."

Section 2. Section 15-6-141, MCA, is amended to read:

"15-6-141. Class nine property -- description -- taxable percentage. (1) Class nine property includes:

(a) centrally assessed allocations of an electric power company or centrally assessed allocations of an electric power company that owns or operates transmission or distribution facilities or both, including, if congress passes legislation that allows the state to tax property owned by an agency created by congress to transmit or distribute electrical energy, allocations of properties constructed, owned, or operated by a public agency created by congress to transmit or distribute electrical energy produced at privately owned generating facilities, not including rural electric cooperatives. However, rural electric cooperatives' property, except wind generation facilities classified under 15-6-157, used for the sole purpose of serving customers representing less than 95% of the electric consumers located within the incorporated limits of a city or town of more than 3,500 persons in which a centrally assessed electric power company also owns property or serving an incorporated municipality with a population that is greater than 3,500 persons formerly served by a public utility that after January 1, 1998, received service from the facilities of an electric cooperative is included. For purposes of this subsection (1)(a), "property used for the sole purpose" does not include a headquarters, office, shop, or other similar facility.

(b) allocations for centrally assessed natural gas ~~companies having a major distribution system in this state~~ distribution utilities, RATE-REGULATED natural gas TRANSMISSION or oil transmission pipelines regulated by either the public service commission or the federal energy regulatory commission, or common carrier pipelines A COMMON CARRIER PIPELINE AS DEFINED IN 69-13-101, A PIPELINE CARRIER AS DEFINED IN 49 U.S.C. 15102(2), OR THE GAS GATHERING FACILITIES SPECIFIED IN 15-6-138(6); and

(c) centrally assessed companies' allocations except:

(i) electrical generation facilities classified under 15-6-156;

(ii) all property classified under 15-6-157;

(iii) all property classified under 15-6-158 and 15-6-159;

(iv) property owned by cooperative rural electric and cooperative rural telephone associations and classified under 15-6-135;

(v) property owned by organizations providing telephone communications to rural areas and classified under 15-6-135;

(vi) railroad transportation property included in 15-6-145;

(vii) airline transportation property included in 15-6-145; and

(viii) telecommunications property included in 15-6-156.

(2) Class nine property is taxed at 12% of market value."

Section 3. Section 15-23-101, MCA, is amended to read:

"15-23-101. Properties centrally assessed. The department shall centrally assess each year:

(1) the railroad transportation property of railroads and railroad car companies operating in more than one county in the state or more than one state;

(2) property owned by a corporation or other person operating a single and continuous property operated in more than one county or more than one state, ~~including but not limited to~~ consisting of INCLUDING BUT NOT LIMITED TO:

(a) telegraph, telephone, microwave, and electric power or transmission lines;

(b) RATE-REGULATED natural gas TRANSMISSION or oil transmission pipelines regulated by the public service commission or the federal energy regulatory commission;

(c) common carrier pipelines AS DEFINED IN 69-13-101 OR A PIPELINE CARRIER AS DEFINED IN 49 U.S.C. 15101(2) 15102(2);

(d) natural gas distribution utilities;

(E) THE GAS GATHERING FACILITIES SPECIFIED IN 15-6-138(6);

~~(e)(F)~~ canals, ditches, flumes, or like properties; and including;

~~(f)(G)~~ if congress passes legislation that allows the state to tax property owned by an agency created by congress to transmit or distribute electrical energy, property constructed, owned, or operated by a public agency created by congress to transmit or distribute electrical energy produced at privately owned generating facilities, not including rural electric cooperatives;

(3) all property of scheduled airlines;

(4) the net proceeds of mines, except bentonite mines;

(5) the gross proceeds of coal mines; and

(6) property described in subsections (1) and (2) that is subject to the provisions of Title 15, chapter 24,

part 12."

Section 4. Section 15-23-301, MCA, is amended to read:

"15-23-301. Officers of certain public utility companies to furnish statement to department. The president, secretary, or managing agent of a corporation or such any other officer ~~as that~~ the department of revenue may designate ~~of any corporation~~ and each person or association of persons owning or operating a telegraph, telephone, microwave, or electric power; or transmission line, a natural gas pipeline, distribution utility, a RATE-REGULATED natural gas TRANSMISSION or oil TRANSMISSION pipeline regulated by the public service commission or the federal energy regulatory commission, a common carrier pipeline AS DEFINED IN 69-13-101, A PIPELINE CARRIER AS DEFINED IN 49 U.S.C. 45101(2) 15102(2), or any canal, ditch, flume, or other property, other than real estate not included in a right-of-way, and which constitute that constitutes a single and continuous property throughout more than one county or state, ~~must~~ shall each year furnish the department with a statement, signed and sworn to by one of ~~such the~~ officers or by the person or one of the persons forming ~~such the~~ association, showing in detail for the year ending on December 31 immediately preceding ~~as follows~~:

(1) the whole number of miles of ~~said~~ property in the state and, ~~where if~~ the property is partly out of the state, the whole number of miles ~~without~~ outside of the state and the whole number of miles within the state owned or operated by ~~such the~~ corporation, person, or association;

(2) the total value of the entire property and plant, both within and ~~without~~ outside of the state, and the total value of that portion of the ~~same~~ property and plant within the state;

(3) a complete description of the property within the state, giving the points of entrance into and the points of exit from the state and the points of entrance into and the points of exit from each county, with a statement of the total number of miles in each county in the state;

(4) ~~such~~ other information regarding ~~such the~~ property as may be required by the department."

NEW SECTION. **Section 5. Effective date.** [This act] is effective on passage and approval.

NEW SECTION. **Section 6. Retroactive applicability.** [This act] applies retroactively, within the meaning of 1-2-109, to the property tax year beginning after December 31, 2008.

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